



STATE BOARD OF EQUALIZATION  
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September 29, 2010

Dear Interested Party:

Attached is a copy of Special Taxes and Fees Current Legal Digest (CLD) Number 2010-1, for your information and review. This CLD contains new annotations, proposed revisions to existing annotations and deletions of annotations that no longer represent the opinion of the Board of Equalization's legal staff. After reviewing, please submit any questions, comments, or suggestions for changes by October 28, 2010. You may complete the electronic CLD Comments Form at [http://www.boe.ca.gov/sptaxprog/cld\\_comments.htm](http://www.boe.ca.gov/sptaxprog/cld_comments.htm), or mail your written comments to:

Board of Equalization  
Special Taxes and Fees Annotation Coordinator, MIC: 57  
P.O. Box 942879  
Sacramento CA 94279-0057

**Please note**, the new annotations and/or suggested revisions of existing annotations contained in the attached CLD are drafts and may not accurately reflect the Board's official position on certain issues nor reflect the language that will be used in the final annotation.

CLDs are circulated for 30 days, at which time any questions are addressed and/or suggested modifications taken into consideration. After review of the final version by the Board's Legal Division, they are printed in Volumes 3 and 4 of the *Business Taxes Law Guide*. At that time, the CLD becomes obsolete.

If you have any questions, please contact Robert Zivkovich at 916-324-2775.

David J. Gau,  
Deputy Director  
Property and Special Taxes Department

Attachment: Special Taxes and Fees Current Legal Digest 2010-1

**SPECIAL TAXES CURRENT LEGAL DIGEST NO. 2010-1****September 29, 2010**

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**SPECIAL TAXES AND FEES ANNOTATIONS****CIGARETTE AND TOBACCO PRODUCTS****Package of cigar wraps.**

A distributor sells three cigar wraps together in a single package. The package contains one natural leaf cigar wrap, composed entirely of tobacco, which meets the statutory definition of a tobacco product. The package also contains two homogenized tobacco leaf wraps that contain less than 50 percent tobacco and do not meet the statutory definition of tobacco products. If the distributor can establish through documentary evidence, such as purchase invoices, the actual wholesale cost of the natural leaf wrap, the Board would accept that the tax could be reported on the actual wholesale cost of the natural leaf wrap (the tobacco product). Because it is assumed that the cost of the natural leaf wrap is much higher than the wraps that are not tobacco products, if the distributor is unable to establish through documentary evidence the actual wholesale cost of the leaf wrap, the Board assumes the wholesale cost of the package is subject to tax. 10/22/09.

*Please note that the new proposed annotation contained in this CLD is a draft and may not accurately reflect the text of the final annotation.*